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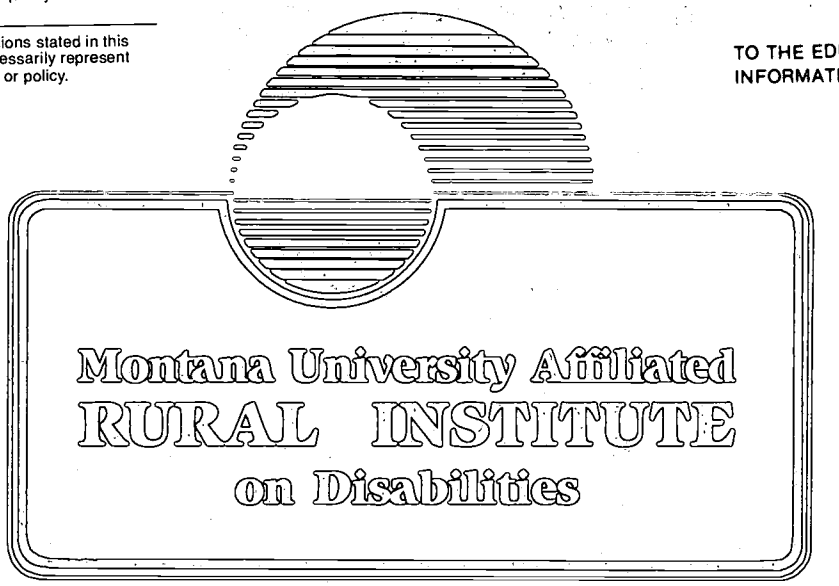
ABSTRACT

This report examines the use of self-employment as a vocational rehabilitation option in rural areas. Self-employment is one of the fastest growing employment opportunities, as evidenced by the approximately 15.6 million people who reported being self-employed in 1990. Data from the 1980s comparing employment patterns in rural and urban areas indicate that participation in the labor force was lower in the rural nonfarm population than in either farm or urban populations; service-related jobs accounted for over half of all rural employment; rates of self-employment were significantly higher in rural than in urban areas; a greater proportion of people who reported a work disability lived in nonmetropolitan areas; people with disabilities were more likely to be unemployed; and disabled workers generally earned less than their counterparts with no disability. Self-employment is a legitimate vocational rehabilitation closure. Yet, of the 214,229 closures reported nationwide in 1988, only 4,871 of them were to self-employment. An examination of the closure rate of self-employment for each state indicates that this practice was significantly more likely in rural than in urban states. However, the variability across states is wide as some rural states have relatively low rates of self-employment closures. This report concludes that self-employment provides an option for people living in rural areas, particularly for people with a work disability. Contains nine data tables. (LP)

RURAL AND URBAN EMPLOYMENT PATTERNS: SELF-EMPLOYMENT AS A METAPHOR FOR RURAL VOCATIONAL REHABILITATION



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Independence, Productivity, and Community Integration for Persons with Disabilities

RURAL AND URBAN EMPLOYMENT PATTERNS: SELF-EMPLOYMENT AS A METAPHOR FOR RURAL VOCATIONAL REHABILITATION

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RURAL AND URBAN EMPLOYMENT PATTERNS: SELF-EMPLOYMENT AS A METAPHOR FOR RURAL VOCATIONAL REHABILITATION

Abstract

The U.S. labor market is undergoing a shift toward more contingent employment. Vocational rehabilitation service providers should consider their current practices and strategies to ensure that they are in tune with such emerging trends. Self-employment, a legitimate vocational rehabilitation closure, is one area of significant employment growth and is particularly prevalent in rural areas. Further, significantly more people who report a work disability also report being self-employed than their counterparts who do not report a work disability. Yet, while data suggest self-employment closures are more likely in rural areas, overall, the use of self-employment as a vocational rehabilitation option has been steadily declining over the past decade. The utility of self-employment as a vocational rehabilitation option and its implications as a metaphor, particularly for rural areas, is discussed.

RURAL AND URBAN EMPLOYMENT PATTERNS: SELF-EMPLOYMENT AS A METAPHOR FOR RURAL VOCATIONAL REHABILITATION

> "I did what I thought at the time was all that could be done: I found creative ways for self-employment..."
>
> (Nell C. Carney, Commissioner
> Rehabilitation Services Administration, 1992)

The structure of the U.S. labor market is undergoing significant changes in a more competitive global economy. Among these changes is a shift toward more contingent employment (Belous, 1989). Contingent employment includes temporary, part-time, subcontracted, and self-employed workers.

Indeed, self-employment is one of the fastest growing employment options. A 1983 study (Becker, 1984) reported that approximately 14.2 million workers were self-employed; an increase of 23% from seven years earlier. By 1990, the number of self-employed individuals had increased to 15.6 million; a 10% increase to 13% of the entire labor force (Silvestri, 1991).

Self-employment includes those who own and operate an incorporated business, the unincorporated self-employed, those in agriculture who own their own farm or ranch, those who are self-employed on a second job (e.g., moonlighters), and may include unpaid family workers (Becker, 1984). The self-employed are represented across the occupations in relative proportion, except in agriculture (i.e., family farmers), and managerial and professional specialties (e.g., dentists) where they are proportionately over-represented (Becker, 1984; Silvestri, 1991).

While various rural economic development strategies are debated (Miller, 1985), entrepreneurial approaches, including self-employment, are advocated as an option of

particular utility in rural areas (Malecki, 1988; Miller, 1985; Popovich & Buss, 1989). The rates of self-employment in many rural areas appear to be higher than those generally found in urban areas.

While the general trends of self-employment have been increasing, the use of self-employment as a vocational rehabilitation option has taken a back seat to traditional wage and salary, and supported employment closures (Mar, personal communication, June 17, 1988, Rehab Brief, 1985). This paper begins an examination of the use of self-employment as a vocational rehabilitation option. In particular, general employment patterns and self-employment in urban and rural areas are compared; then, employment patterns of people with disabilities living in urban and rural areas is examined with an emphasis on self-employment. Finally, data on the use of self-employment as a vocational rehabilitation option are presented.

Employment Patterns in Urban and Rural Areas

In 1988, 64.8 million people (26.9% of the population) lived in rural areas (U.S. Bureau of the Census, 1988) and this proportion appears evenly distributed across the labor force patterns. The total farm population at that time had declined to about 2.0% of the nation's population. While unemployment rates in rural areas are similar to those in urban areas, the proportion of people in the labor force (63.4%) was slightly lower in the rural non-farm population. Table 1 presents the general labor pattern for rural and urban areas (U.S. Bureau of the Census, 1988).

Table 1

General Labor Pattern for Rural and Urban Areas

(number in thousands)

	Total	Urban	Rural	% Rural	Rural Nonfarm	Rural Farm
In labor force	122,320	90,451	31,869	26.0%	29,113	2,756
Percent	65.1%	65.5%	64.0%	--	63.4%	69.8%
Not in labor force	65,622	47,628	17,994	27.0%	16,799	1,195
Employed	115,499	85,336	30,163	26.0%	27,461	2,701
Unemployed	6,821	5,114	1,707	25.0%	1,651	55
Percent unemployed	5.6%	5.7%	5.4%	--	5.7%	2.0%

Employers in rural areas are generally smaller than those in urban areas. For example, nationally, 87.5% of business establishments have fewer than 20 employees but these account for only 26.7% of employees (County Business Patterns, 1986). Thus, 12.5% of employers accounted for over 73.0% of all jobs. In Montana, one of the most rural states, however, approximately 92.0% of businesses had fewer than 20 employees and accounted for 44.0% of the labor force (County Business Patterns, 1989).

Table 2 presents the primary industry of employment reported by all citizens (15 years and over), those living in urban and rural areas, and those in rural areas who live on farms (U.S. Bureau of the Census, 1988). Interestingly, less than half (46.9%) of the rural population living on farms reported their primary occupation as agricultural. Rather, off-farm employment was often the primary source of income for 53.1% of farm families. Further, the service-related sectors of service industries, finances, and wholesale and retail trades accounted for just over half (56.1%) of rural employment. These include jobs such as gas-station attendant, accountant, and hardware store clerk.

Table 2

Primary Industry of Employment
in Urban and Rural Areas

(numbers in thousands)

Industry	Total	Urban	Rural	Rural Nonfarm	Rural farm	Percent distribution				
						Total	Urban	Rural	Nonfarm	Farm
TOTAL	115,499	85,336	30,162	27,461	2,701	100.0	100.0	100.0	100.0	100.0
■Agriculture	3,222	978	2,245	977	1,268	2.8	1.1	7.4	3.6	46.9
■Nonagricultural industries	112,276	84,358	27,918	26,485	1,433	97.2	98.9	92.6	96.4	53.1
■Nonagricultural industries	112,276	84,358	27,918	26,485	1,433	100.0	100.0	100.0	100.0	100.0
Forestry and fisheries	158	61	97	90	7	0.1	0.1	0.3	0.3	0.5
Mining	753	382	371	356	15	0.7	0.5	1.3	1.3	1.0
Construction	7,614	5,102	2,512	2,403	109	6.8	6.0	9.0	9.1	7.6
Manufacturing	21,349	15,032	6,317	6,035	282	19.0	17.8	22.6	22.8	19.7
Trans., Comm. and other public utilities	8,068	6,109	1,960	1,852	108	7.2	7.2	7.0	7.0	7.5
Wholesale trade	4,585	3,458	1,127	1,053	74	4.1	4.1	4.0	4.0	5.2
Retail trade	19,287	14,646	4,641	4,408	233	17.2	17.4	16.6	16.6	16.3
Finance, insurance, and real estate	7,926	6,547	1,380	1,310	70	7.1	7.8	4.9	4.9	4.9
Service industries	37,099	28,866	8,233	7,762	471	33.0	34.2	29.5	29.3	32.9
Public administration	5,436	4,156	1,280	1,216	64	4.8	4.9	4.6	4.6	4.5

Importantly, these patterns vary regionally. For example, while manufacturing may be seen as primarily a rural activity in the East where factories are often located outside of urban areas, it may be seen as more of an urbanized activity in the West where populations cluster around development (Polzin, 1992).

Table 3 presents the urban and rural comparison for those self-employed[2], those who earn wages and salaries, and unpaid family workers (U.S. Bureau of the Census, 1988). Clearly, those involved in agriculture, whether living on or off farms, are more likely to be self-employed than others. Similarly, those living on farms, whether involved in

agriculture or not, are more likely to be self-employed. For our central focus, people living in rural areas, in general, are more likely to be self-employed than those living in urban areas (x^2 = 875, 1 df). Importantly, this holds true for those in non-agricultural industries (x^2 = 208, 1 df) which account for most rural employment.

Table 3

Self-employment Patterns of Urban and Rural Workers

(numbers in thousands)

	Total	Urban	Rural	Rural nonfarm	Rural farm	Percent distribution: Total	Urban	Rural	Rural nonfarm	Rural farm
All Workers										
TOTAL	115,499	85,336	30,163	27,461	2,701	100.0	100.0	100.0	100.0	100.0
■ Self-employed workers	9,945	6,124	3,822	2,807	1,015	8.6	7.2	12.7	10.2	37.6
■ Wage and salary workers	105,131	79,036	26,094	24,538	1,556	91.0	92.6	86.5	89.4	57.6
■ Unpaid family workers	423	176	247	116	130	0.4	0.2	0.8	0.4	4.8
Workers in Agriculture										
TOTAL	3,222	978	2,245	977	1,268	100.0	100.0	100.0	100.0	100.0
■ Self-employed workers	1,404	258	1,146	301	845	43.6	26.4	51.0	30.8	66.6
■ Wage and salary workers	1,657	710	948	645	302	51.4	72.6	42.2	66.0	23.8
■ Unpaid family workers	161	10	151	30	121	5.0	1.0	6.7	3.1	9.5
Workers in Nonagricultural Industries										
TOTAL	112,276	84,359	27,918	26,485	1,433	100.0	100.0	100.0	100.0	100.0
■ Self-employed workers	8,541	5,866	2,675	2,506	169	7.6	7.0	9.6	9.5	11.8
■ Wage and salary workers	103,473	78,326	25,147	23,893	1,254	92.2	92.8	90.1	90.2	87.5
■ Unpaid family workers	262	166	96	86	10	0.2	0.2	0.3	0.3	0.7

The income produced by employment is the central focus of most work. "Conventional wisdom" assumes that it is less expensive to live in rural than in urban areas; but, in fact, with lower rural incomes, the proportion of income spent for living

expenses is generally higher in rural areas. For example, results of the Consumer Expenditure Survey (1988) presented in Table 4 show that people living in urban areas spent an average of 90% of their annual income for living expenses while those in rural areas spent 97%. This suggests those living in urban areas have a remaining disposable income nearly four times greater than those living in rural areas.

Table 4

Average Annual Income and Expenditures
by Urban and Rural Residence

	All	Urban	Rural
Average Annual Income Before Taxes	$28,540	$29,543	$22,132
Average Annual Expenditures (food, housing, apparel, transportation, health care, insurance, etc.)	25,892	26,617	21,380
Percent Income Spent	91%	90%	97%
Remaining Disposable Income	$ 2,648	$ 2,926	$ 752

Employment Patterns for People with Disabilities

Table 5 presents an analysis of the total civilian work force between 16 and 64 years of age (U.S. Census Bureau, 1983). The number and percentage of those individuals reporting a work disability by geographic classification are shown. A chi-square analysis shows a significantly greater proportion of people reporting a work disability in non-metropolitan than metropolitan areas (x^2 = 123.8 1 df). Importantly, however, there is no significant difference in rates of disability between those living inside central cities and those living in non-metropolitan areas (x^2 = 0.623, 1 df). Rather, the difference appears to be accounted for by those living in suburban rings (x^2 = 33,323, 1 df).

Table 5

Total U.S. Work Force and Those Reporting a Work Disability
by Geographic Region

(numbers in thousands)

	U.S.	Number Disabled	Percent Disabled
TOTAL	147,306	13,102	8.9%
■ Metropolitan	101,632	8,478	8.3%
Inside Central County	40,744	4,059	10.1%
Outside Central County	60,888	4,419	7.3%
■ Non-Metropolitan	45,674	4,624	10.1%

Table 6 contrasts the labor-force status of people with and without work disabilities by residence (U.S.Bureau of the Census, 1983). These data show that people with disabilities are significantly more likely to be unemployed or out of the labor force than others. Importantly as in the previous analysis, those living in central cities and non-metropolitan areas appear more similar to each other than with those living in the suburban rings.

Table 6

Labor Force Status--Men and Women 16 to 64 Years Old
with and without Work Disabilities

(numbers in thousands)

Selected Characteristics	With a Work Disability						With No Work Disability				
		Percent						Percent			
	Number	In Labor Force	Employed		Not In Labor Force	Un-empl. rate	Number	In Labor Force	Employed		Not in Labor Force
			Total	Full time					Total	Full time	
Men - Region and Residence											
UNITED STATES TOTAL	6,670	41.5	34.5	27.4	58.5	16.9	64,250	88.8	79.7	70.4	11.2
▪ Inside Metropolitan Areas	4,259	42.8	35.4	28.9	57.2	17.3	44,708	88.9	80.0	70.9	11.1
Inside Central Cities	1,951	37.5	29.5	22.8	62.5	21.2	17,393	87.8	77.7	69.0	12.2
Outside Central Cities	2,308	47.4	40.4	34.1	52.6	14.7	27,316	89.5	81.4	72.0	10.5
▪ Outside Metropolitan Areas	2,411	39.3	33.0	24.8	60.7	16.0	19,541	88.6	79.2	69.3	11.4
Women - Region and Residence											
UNITED STATES TOTAL	6,400	23.7	19.4	11.9	76.3	18.3	69,115	64.3	58.6	41.0	35.7
▪ Inside Metropolitan Areas	4,202	24.2	19.4	12.1	75.8	19.9	47,883	65.0	59.6	42.5	35.0
Inside Central Cities	2,103	22.1	17.6	10.9	77.9	20.3	19,082	66.3	60.0	44.6	33.7
Outside Central Cities	2,100	26.4	21.2	13.3	73.6	19.5	28,801	64.1	59.3	41.1	35.9
▪ Outside Metropolitan Areas	2,198	22.8	19.4	11.6	77.2	15.0	21,232	62.6	56.3	37.8	37.4

Table 7 shows that for those who worked, men and women with a work disability generally earned less than their counterparts with no disability (U.S. Bureau of the Census, 1983). Further, those living in non-metropolitan areas averaged less than even their central city counter parts. This relationship also holds for mean family incomes. Given the income and expenditure patterns presented in Table 4, it seems likely that those with a work disability living in rural areas live on the smallest of economic margins.

Table 7

Average Income of People With and Without Work Disability in Urban and Rural Areas

	Women		Men	
	With Disability	Without Disability	With Disability	Without Disability
Total	$5,835	$8,470	$13,863	$17,481
Metro	6,691	9,127	15,396	18,665
■ Inside	6,220	9,340	12,276	16,902
■ Outside	7,053	8,986	17,507	19,740
■ Rural	4,259	6,981	11,038	14,817

Table 8 compares the distribution of people with and without work disabilities who are employed across several industry groups (U.S. Bureau of the Census, 1983). The patterns of employment for these people who are employed are relatively similar to one another. It should be remembered, however, that the majority of people between 16 and 64 years of age with disabilities--68.4% (U.S. Bureau of the Census, 1989)--are not in the labor force.

Table 8

Comparison of Employment Patterns of People
With and Without a Work Disability

(numbers in thousands)

Industry	Without a Disability		With a Disability	
	Number	Percent	Number	Percent
TOTAL	115,499	100.0	3,545	100.0
■ Agriculture	3,222	2.8	147	4.2
■ Nonagricultural industries	112,276	97.2	3,398	95.8
■ Nonagricultural industries	112,276	100.0	3,398	100.0
Forestry and fisheries	158	0.1	6	0.2
Mining	753	0.7	35	1.0
Construction	7,614	6.8	228	6.7
Manufacturing	21,349	19.0	694	20.4
Trans., Comm., and other public utilities	8,068	7.2	219	6.5
Wholesale trade	4,585	4.1	153	4.5
Retail trade	19,287	17.2	534	15.7
Finance, insurance, and real estate	7,926	7.1	196	5.8
Service industries	37,099	33.0	1,115	32.8
Public administration	5,436	4.8	218	6.4

Table 9 compares the distribution of workers with and without work disabilities who report being self-employed, employed for a salary or wage (in and out of government), and unpaid as a family worker (U.S. Bureau of the Census, 1983). Overall, 8.0% of those with no work disability report being self-employed while 14.7% of those with a work disability report being self employed (x^2 = 202.9, 1 df).

Table 9

Self-employment of Those With and Without a Work Disability

(numbers in thousands)

	Men				Women			
	W/ Work Disability		W/O Work Disability		W/ Work Disability		W/O Work Disability	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Private Wage and Salary Workers	1,544	67.2	38,740	75.6	906	73.0	30,138	74.4
■ In Agriculture	39	1.7	914	1.8	7	0.5	238	0.6
■ In Nonagricultural Industries	1,505	65.5	37,826	73.8	899	72.4	29,900	73.8
Government Wage/Salary Workers	355	15.4	7,027	13.7	178	14.3	7,628	18.8
■ Federal Government	133	5.8	1,725	3.4	18	1.4	1,148	2.8
■ State Government	76	3.3	7,713	3.3	53	4.2	1,822	4.5
■ Local Government	147	6.4	3,589	7.0	107	8.6	4,659	11.5
Self-employed Workers	386	16.8	5,174	10.1	134	10.8	2,159	5.3
■ In Agriculture	86	3.7	1,017	2.0	8	0.7	145	0.4
■ In Nonagricultural Industries	300	13.1	4,157	8.1	126	10.1	2,014	5.0
Unpaid Family Workers	13	0.6	114	0.2	16	1.3	477	1.2
■ In Agriculture	4	0.2	73	0.1	2	0.2	108	0.3
■ In Nonagricultural Industries	10	0.4	41	0.1	14	1.1	369	0.9

The pattern of people reporting a work disability being self-employed holds across a number of comparisons. Men with a disability are more likely to be self-employed than men without a work disability (x^2 = 106.1, 1 df). Women with a disability are also more likely to be self-employed than women without a work disability (x^2 = 68.3, 1 df).

Interestingly, the pattern of self-employment varies across occupational categories. Those self-employed in professional or technical activities are equally represented by those with (1.4%) and without (1.3%) work disabilities. Those with a work disability

(2.8%) were slightly more represented than those without a work disability (1.7%) as self-employed managers, administrators, executives, or farm owners. This leaves the other major occupational categories to account for the remainder of the discrepancy in self-employment between these two groups.

Vocational Rehabilitation Use of Self-employment

Self-employment is a legitimate vocational rehabilitation closure. Yet, of the 214,229 closures reported nation-wide in 1988, only 4,871 (2.27%) of them were to self-employment (Rehabilitation Services Administration, 1988). This is somewhat surprising, given that the pattern of self-employment of people with work disabilities is so much higher than among those without work disabilities. Given that self-employment is more prevalent in rural areas, it would be a reasonable assumption that vocational rehabilitation closures to self-employment would be higher in rural than in urban areas.

To test this hypothesis, we examined the closure rate to self-employment for each state (Rehabilitation Services Administration, 1988). A ruralness index (Jackson & Seekins, 1989) was calculated for each state by combining measures of population density and percentage of population living in urban areas. Figure 1 depicts the results of a log linear regression of self-employment closure rates for each state and that state's ruralness index. Results indicated that closures to self-employment were, indeed, significantly more likely in rural than in urban states ($r = .513$; $t(a) = 6.57$ $p<.00$; $t(b) = 14.11$ $p<.00$).

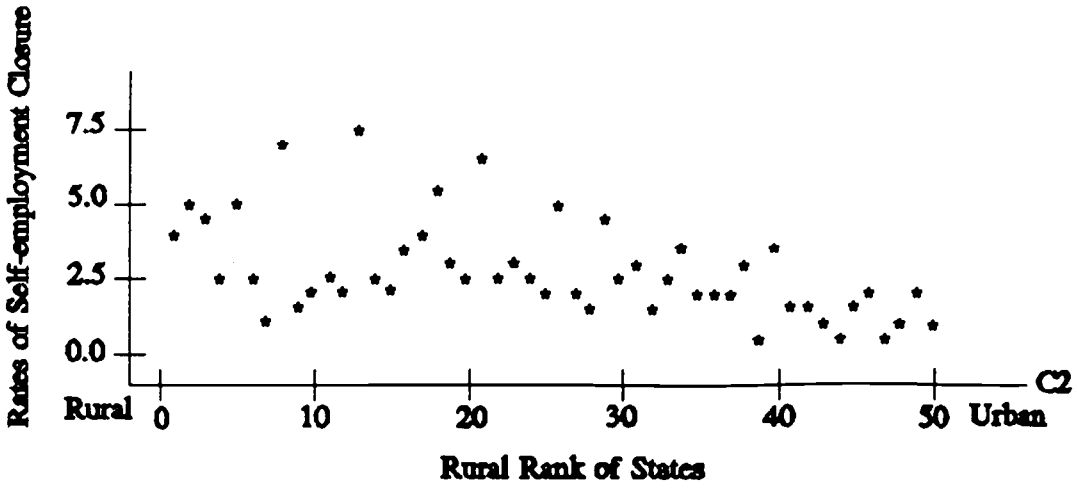

Figure 1: Plot of rates of self-employment closures against the ruralness rank of each state.

While there appears to be a relationship between a state's ruralness and rates of vocational rehabilitation closure to self-employment, the variability across states is wide. For example, some of the more rural states have relatively low rates of self-employment closures. Examining self-employment closures on a state level may obscure patterns of closure since most states have both rural and urban areas. Thus, closures by county might be a better unit of analysis. These data are not easily retrieved as national reports are by state only and different states present a variety of reporting systems.

DISCUSSION

This paper summarizes several economic and employment patterns of importance to people with disabilities living in rural areas. Participation in the labor force is lower in the rural non-farm population than either the farm or general metropolitan sectors. The service-related sectors, accounts for over half of all rural employment but patterns vary regionally. Rates of self-employment are significantly higher in rural than in urban areas.

While the general patterns of employment across industry groups of people with a work disability parallel that of those without a disability, a significantly greater proportion of people who report a work disability live in non-metropolitan than metropolitan areas. While people with disabilities are more likely to be unemployed, in general, those living in non-metropolitan areas are even less likely than their metropolitan counterparts to have a job or be in the labor force. A closer examination suggests that labor force participation patterns of people with disabilities living in central cities and non-metropolitan areas are similar to one another and significantly less than for those living in suburban rings. Rural residents earn significantly less than either group, however.

Self-employment serves as a metaphor for the emerging labor and economic trends that confront the system of state vocational rehabilitation programs. While broad labor and economic forces are moving toward more contingent-employment-arrangements such as self-employment-vocational rehabilitation counselors' use of such strategies appears to be declining. Indeed, people with work disabilities report being self-employed at almost twice the rate (14.7%) of the general population. Yet, VR counselors close only a small percentage of their clients to self-employment.

Self-employment also serves as a metaphor for rural vocational rehabilitation. In rural areas, where economic conditions are often leaner and employment opportunities fewer, VR counselors appear to use contingent employment arrangements such as self-employment more frequently.

Self-employment appears to be an important option for people living in rural areas and for people with a work disability. For rural residents, self-employment may provide an employment option where none other exists. Anecdotally, rural job developers and rehabilitation counselors often talk about the need to "create one's own

work in rural areas rather than wait for someone to provide a job." For those in rural areas, a variety of services might be offered to several purchasers where no single employer would have enough work to hire a person for the same job. For example, no one business in a rural area may have enough work to hire a bookkeeper or accountant. Yet, a self-employed bookkeeper might provide this service to several such businesses.

While businesses with 20 or more employees account for nearly 75% of employment nationally, it seems likely that businesses with fewer than 20 employees account for as much as half the jobs in rural areas. This suggests that employment protections of the Americans with Disabilities Act will not cover as many individuals in rural as in urban areas. Thus, if small employers in rural areas do not voluntarily include people with disabilities, the incentives to consider self-employment remain in force. Self-employment may provide additional benefits. For example, work load and schedule may be more directly under one's control when self-employed.

While cash income from self-employment averages less than for wage or salary employment, there are other economic incentives not counted as cash income (Tucker, 1988). For the general population, this may include such items as deduction of home offices. For people with disabilities, this might include deduction for automobile or home modifications, or flexibility in balancing income with benefits.

Such contingent employment trends suggest the challenge for adaptation and flexibility posed to the larger rehabilitation system and may call for adjusting vocational rehabilitation services. For example, the advent of more temporary employment may call for strategies of systematic or planned re-opening of cases, the development of supported joint ventures, the use of self-employment, or even supported self-employment[3].

One criticism of the use of self-employment as a vocational closure is that new businesses have a high failure rate. Yet, significantly more people with work disability report being self-employed than the general population. Certainly, these rates are vastly higher than can be accounted for by VR closures to self-employment. Such a discrepancy in the use of contingent employment strategies is striking.

Other criticisms include the "conventional wisdom" that it is too time consuming and that it is not realistic for those with cognitive impairments. Given it's prevalence and potential utility in rural areas, these and other such issues need to be empirically investigated. Such research might also explore vocational rehabilitation policies at both the national and state levels. In addition, actual counselor practices might also be examined. Such research might contribute to understanding of the role VR might play in a more contingent labor market economy.

Endnotes

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2. Numbers and percentages of self-employed vary depending on whether they include incorporated self-employed and the year reported.

3. These arrangements have been reported by Counselors in a related study of self-employment. Supported self-employment involves the use of publicly sponsored entrepreneurial projects to provide training, technical assistance, and even financial backing from a client's first steps through financial stability of their business. The staff of such projects were described by one Counselor as being among the best of "job coaches."

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